

# GAS TRUNK LINE OF BRITISH COLUMBIA LTD.

SEP 24 1962

15 MONTHS REPORT ENDED JUNE 30, 1962





*Installation of Gas Trunk Line 16-inch pipeline between Taylor, B.C., and the Boundary Lake gas field on the B.C.-Alberta border. Picture shows pipe crossing the Beaton River.*



## **GAS TRUNK LINE OF BRITISH COLUMBIA LTD.**

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### **DIRECTORS**

A. Patrick Bowsher, *Calgary, Alta.*  
Donald M. Lamont, *Vancouver, B.C.*  
Frank M. McMahon, *Vancouver, B.C.*  
George McMahon, *Calgary, Alta.*  
Douglas Owen, *Vancouver, B.C.*

### **OFFICERS**

*President*—Frank M. McMahon  
*Vice-President*—George McMahon  
*Vice-President*—Douglas Owen  
*Treasurer*—A. Patrick Bowsher  
*Secretary*—Donald M. Lamont

6% FIRST MORTGAGE SINKING FUND BONDS, SERIES A DUE OCTOBER 1, 1979.

#### **TRUSTEE**

Montreal Trust Co., Vancouver.

6% SUBORDINATED DEBENTURES, SERIES A DUE OCTOBER 1, 1981.

#### **TRUSTEE and TRANSFER AGENT**

Montreal Trust Co., Vancouver, Toronto, Calgary.

### **COMMON SHARES.**

#### **TRANSFER AGENT and REGISTRAR**

Montreal Trust Co., Vancouver, Toronto, Calgary.

## **TO THE SHAREHOLDERS:**

This is the first report to the shareholders since the conversion of Gas Trunk Line of British Columbia Ltd. from a private to a public company on October 5, 1961.

The report covers the 15-month period ended June 30, 1962, the final three months being a full earning period that includes revenues from all 1961 and 1962 projects scheduled at the time Gas Trunk became a public company. By the terms of its transportation contract Gas Trunk gathers and processes gas owned by Westcoast Transmission Company Limited, delivers it into Westcoast facilities and receives its revenue on a monthly cost-of-service basis.

During the period the Company earned a net profit of \$341,085, which provided an earned surplus balance of \$420,695 at June 30. The profit was attained after making interest payments of \$554,549. Also, funded debt amount-\$600,000 was retired.

In the final three months of the period the profit was in accordance with the estimates made at the time Gas Trunk became a public company. The expected profit level was not attained earlier because certain of the new facilities, scheduled to go on stream November 1, 1961, did not go into operation until January and February, 1962. An unusually early and severe winter, which held up pipeline and plant construction and the connection of many new gas wells, was responsible for the delay.

During the period under review more than \$7,500,000 was spent on new construction and on the expansion and purchase of new facilities. At June 30 the total value of the Company's plant, property and equipment, after depreciation of \$606,762, was \$13,873,575.

The Company constructed 50 miles of new pipeline and purchased 25 miles, bringing its total pipeline mileage to 155 miles.

Additional pipelines were built and existing lines extended into the Beg, North Jedney, North Beg and Boundary Lake South gas fields. The 25 miles of line the Company purchased, at cost less depreciation, extends northward from Milepost 111 on the Alaska Highway to the Jedney and Bubbles gas fields.

A field compressor station, equipped with three 2,000-horsepower reciprocating engine compressors, was constructed at Kobes Junction. This station adds compression to the pipeline connecting the Jedney, Beg, Bubbles and Blueberry

gas fields with the Westcoast gas treating plant at Taylor, permitting the delivery of an additional 50 million cubic feet of gas per day.

A third 660-horsepower engine compressor was added to the Buick Creek portable field compressor station. This engine makes possible greater gas deliveries from the West Buick Creek field. The station's portability is a desirable feature of the Gas Trunk operation in that it can be moved from field to field should this become necessary.

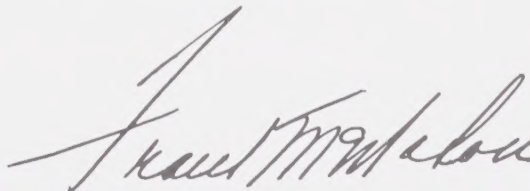
The location of the Kobes Junction and Buick Creek stations, plus that of the Boundary Lake gas processing plant, may be seen on the area map accompanying this report.

Constructed in 1961, the Boundary Lake plant went into service early in 1962. Sour gas from the Boundary Lake field is treated in this plant, which is capable of processing 10 million cubic feet of gas per day. Liquid hydro-carbons also are extracted during the processing and are transported by truck to the McMahon plant at Taylor for further treatment.

Treated Boundary Lake gas is transported 27 miles to Westcoast's 30-inch main line in a 16-inch pipeline constructed by Gas Trunk in 1960-61. This line's capacity of 100 million cubic feet per day is larger than was originally required and took into account future needs. The value of the decision to build a line of this size was underlined this summer when Westcoast received authorization from the Government of Alberta to import 52 million cubic feet of gas per day from the Worsley field in northwest Alberta. Worsley gas will come on stream in November and, added to the 20 million cubic feet daily that Gas Trunk presently transports from the Boundary Lake and Boundary Lake South fields, it will permit this line to operate at more than 70 percent of capacity.

Several projects, costing approximately \$500,000, are under way during the present construction season. These will be financed out of retained earnings of the Company.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "Frank M. McMahon". The signature is fluid and cursive, with a large initial "F" and "M".

Frank M. McMahon

President



# GAS TRUNK LINE OF B.C.

(Incorporated under the

## BALANCE SHEET

### ASSETS

Plant, property and equipment - at cost (Note 1).....	\$14,480,337	
Less accumulated depreciation.....	606,762	
	<u>\$13,873,575</u>	

#### Current assets:

Cash .....	\$229,778	
Accounts receivable .....	180,769	410,547
	<u>          </u>	

#### Deferred charges:

Unamortized debt discount and expense (Note 2) .....	\$197,452	
Other .....	16,255	213,707
	<u>          </u>	

\$14,497,829

### AUDITORS' REPORT

To the Shareholders of  
Gas Trunk Line of British Columbia Ltd.:

We have examined the balance sheet of Gas Trunk Line of British Columbia Ltd. as at June 30, 1962 and the statements of operations and earned surplus for the fifteen months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of operations and earned surplus are properly drawn up in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the rate of depreciation as set out in Note 1, in which we concur, so as to exhibit a true and correct view of the state of the affairs of the company as at June 30, 1962, and the results of its operations for the fifteen months then ended, according to the best of our information and the explanations given to us and as shown by the books of the company.

Vancouver, Canada,  
August 23, 1962.

CLARKSON, GORDON & CO.  
Chartered Accountants.

# BRITISH COLUMBIA LTD.

(s of British Columbia)

JUNE 30, 1962

## SHAREHOLDERS' EQUITY

### Capital stock:

Authorized - 10,000,000 common  
shares with a par value of \$5.00  
each .....\$50,000,000

Issued—for cash—400,020 shares ..... \$ 2,000,100

Earned surplus ..... 420,695  
\$ 2,420,795

## LIABILITIES

Long term debt (Note 2) ..... 11,000,000

### Deferred credit:

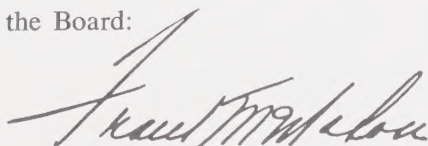
Exchange premium on long term debt  
payable in United States funds  
(Note 2) ..... 131,326

### Current liabilities:

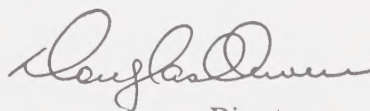
Accounts payable ..... \$339,382  
Property and sundry taxes accrued..... 56,326  
Interest accrued ..... 150,000  
Long term debt due within one year... 400,000 945,708  
\$14,497,829

The accompanying notes are an integral part of the financial statements  
and should be read in conjunction therewith.

On behalf of the Board:



Director



Director

**STATEMENTS OF OPERATIONS AND EARNED SURPLUS  
FOR FIFTEEN MONTHS ENDED JUNE 30, 1962**

<b>STATEMENT OF OPERATIONS</b>	<u>Year ended March 31, 1962</u>	<u>Three months ended June 30, 1962</u>	<u>Fifteen months ended June 30, 1962</u>
Operating revenue:			
Transportation charges	<u>\$1,284,482</u>	<u>\$546,957</u>	<u>\$1,831,439</u>
Operating revenue deductions:			
Operating expenses .....	\$ 243,192	\$116,551	\$ 359,743
Property taxes .....	<u>55,345</u>	<u>27,750</u>	<u>83,095</u>
	<u>\$ 298,537</u>	<u>\$144,301</u>	<u>\$ 442,838</u>
Operating income .....	\$ 985,945	\$402,656	\$1,388,601
Other income .....	<u>33,738</u>		<u>33,738</u>
	<u>\$1,019,683</u>	<u>\$402,656</u>	<u>\$1,422,339</u>
Income deductions:			
Interest on long term debt (less interest charged to con- struction in year ended March 31, 1962—\$73,801)	\$ 382,127	\$172,422	\$ 554,549
Depreciation (Note 1)	367,943	147,024	514,967
Loss (gain) on foreign exchange .....	(2,075)	222	(1,853)
Amortization of debt discount and ex- pense and defer- red exchange pre- mium (Note 2) ...	<u>11,059</u>	<u>2,532</u>	<u>13,591</u>
	<u>\$ 759,054</u>	<u>\$322,200</u>	<u>\$1,081,254</u>
Profit for period (Note 3)...	<u>\$ 260,629</u>	<u>\$ 80,456</u>	<u>\$ 341,085</u>
<b>EARNED SURPLUS</b>			
Balance, March 31, 1961...	\$ 79,610		\$ 79,610
Profit for period .....	<u>260,629</u>		<u>341,085</u>
Balance, end of period .....	<u>\$ 340,239</u>		<u>\$ 420,695</u>



## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 1962

1. Interest during construction has been charged to plant, property and equipment at the rate of 6% per annum for funds provided by long term financing and 7½% per annum for funds provided by working capital.

Commencing August 15, 1961 by decision of the Directors, the rate of depreciation of the pipeline was set at 4¼% per annum, having been changed from the provisional rate of 5% per annum in use from the commencement of operations. As a result, the charge for depreciation for the year ended March 31, 1962 was \$45,361 less than would have been the case had the 5% rate continued in use.

2. Long term debt comprises the following:

Notes payable—\$1,400,000 (U.S.), interest at 5½% maturing December 31, 1965, payable in minimum semi-annual instalments of \$200,000 (U.S.) June 30 and December 31.....	\$ 1,400,000
6% First Mortgage Sinking Fund Bonds, Series A, \$7,000,000 (U.S.) due October 1, 1979.....	7,000,000
6% Subordinated Debentures, Series A, due October 1, 1981.....	3,000,000
	<u>\$11,400,000</u>
Less portion due within one year.....	400,000
	<u>\$11,000,000</u>

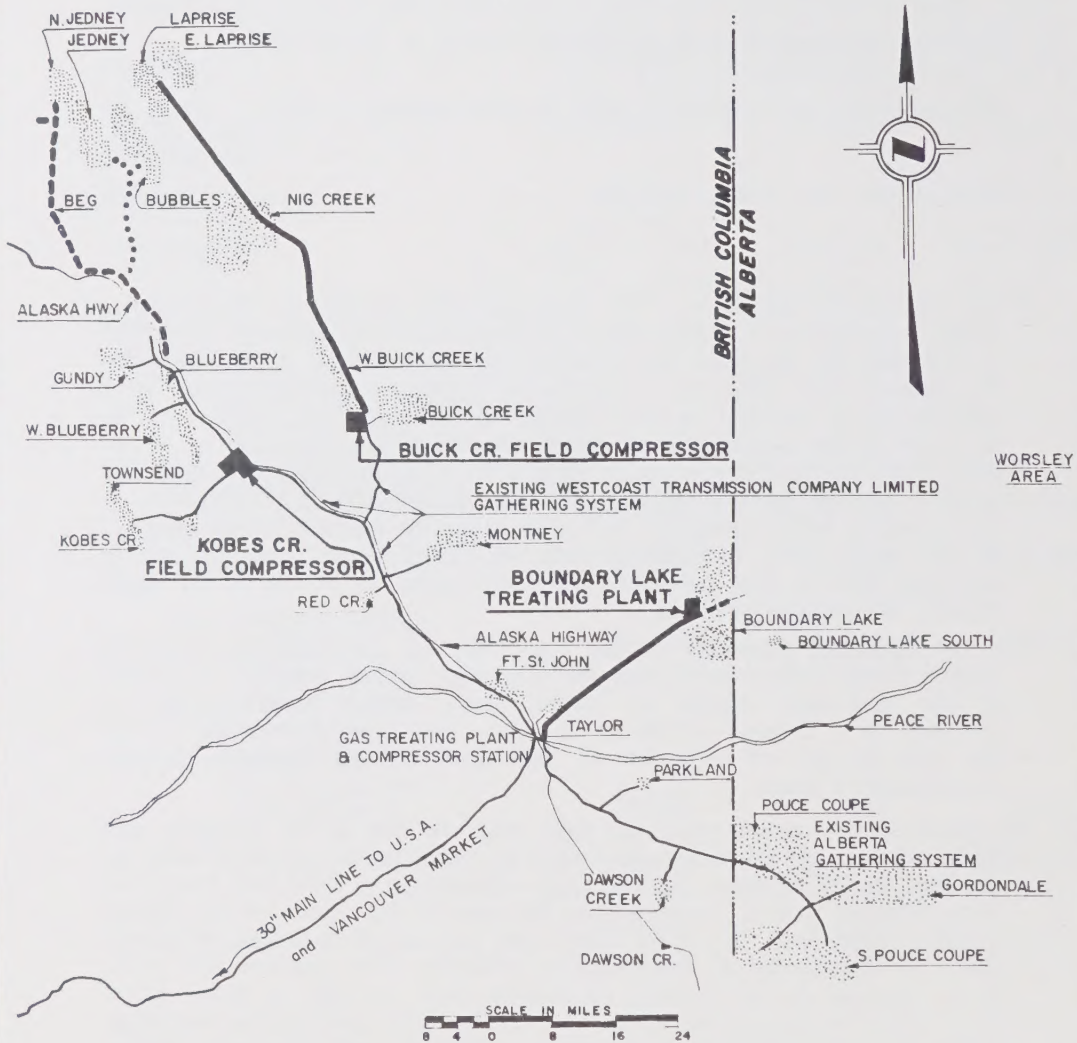
In the year ended March 31, 1961 long term debt payable in United States dollars was converted to Canadian dollars at the rate of exchange prevailing on the date the obligation was incurred. As the company is entitled under its contract with Westcoast Transmission Company Limited to receive a portion of its monthly service charges in United States dollars, to be accepted by the company as an equal number of Canadian dollars, it was determined during the year ended March 31, 1962 that long term debt and accrued interest payable in United States dollars should be recorded at the Canadian dollar equivalent receivable under the contract for the purpose of retiring the debt. Included in cash are United States funds for use in servicing debt in that currency and these funds are stated as an equal number of Canadian dollars.

The net exchange premium on the conversion of the liability payable in United States dollars represents the Canadian dollars received in excess of the equivalent number of United States dollars borrowed, and is recorded as a deferred credit to be taken into income over the life of the debt by way of reduction of debt discount and financing expense amortization charges.

3. No provision for income taxes has been made to date as the company will claim capital cost allowances in excess of depreciation recorded sufficient to offset taxable income. Income taxes amounting to \$158,000 have thus been deferred with a corresponding increase in the profit for the fifteen months ended June 30, 1962. The total amount of such tax deferment since commencement of operations is \$190,000. This practice will result in an increase in the amount of income taxes payable in future years when available capital cost allowances are less than depreciation recorded. Under the terms of its cost of service agreement with Westcoast Transmission Company Limited, payments on account of income taxes are recoverable by adjustment of cost of service charges.
4. The trust deeds securing the long term debt contain various provisions and restrictions affecting, inter alia, the payment of cash dividends, the payment of sinking fund instalments, and the redemption of debentures.

# LEGEND

- 1961-62 CONSTRUCTION
- ..... 1961-62 ACQUISITION
- WESTCOAST TRANSMISSION COMPANY LIMITED FACILITIES
- GAS TRUNK LINE OF BRITISH COLUMBIA LTD. FACILITIES
- GAS FIELDS
- GAS TRUNK LINE OF BRITISH COLUMBIA LTD. FIELD COMPRESSOR STATIONS and TREATING PLANT



GAS TRUNK LINE OF BRITISH COLUMBIA LTD.

## GAS TRANSMISSION FACILITIES





*Pipeline workers line up and weld 16-inch pipe on Gas Trunk Line extension into the Beg gas field of northern B.C. during the 1961 construction season.*



